

TABLE OF CONTENTS

INTRODUCTION	1
SCOPE	1
EXECUTIVE SUMMARY	2
LOCAL OFFICE RESPONSE	2
FINDINGS AND RECOMMENDATIONS	
Safe and Controlled Documents	
Field Receipt Inventory	2-3
State Emergency Relief	
Missing Documentation	3
Foster Care	
Missing Documentation	3
Child Day Care	
Missing Documentation	4

INTRODUCTION

The Office of Internal Audit performed an audit of Chippewa/Luce County DHS for the period July 1, 2005 through June 30, 2006. The objective of our audit was to determine if internal controls in place at the local office provide reasonable assurance that departmental assets are safeguarded, transactions are properly recorded on a timely basis, and policies and procedures of the Michigan Department of Human Services (DHS) are being followed. Chippewa/Luce County DHS had 40 full time equated positions (FTE's) at the time of our review. Chippewa/Luce County DHS provided assistance to an average 4,342 recipients per month in FY 2005, with total assistance payments of \$5,592,635 for the fiscal year.

SCOPE

Our audit was performed in accordance with Standards for the Professional Practice of Internal Auditing issued by the Institute of Internal Auditors, and accordingly, included the audit tests we deemed necessary under the circumstances. We obtained descriptions of significant systems operating at Chippewa/Luce County DHS, documented those systems, and evaluated controls in each system. We tested the systems for compliance, where feasible. Our audit included the following:

Cash Receipts	Cash Disbursements
Safe and Controlled Documents	State Emergency Relief (SER)
Direct Support Services	Client Processing
CIMS/ASSIST/LASR	Children's Protective Services
Payroll and Timekeeping	Procurement Card
Foster Care	Child Day Care

EXECUTIVE SUMMARY

Based on our audit, we conclude that Chippewa/Luce County DHS internal controls are generally adequate to provide management with reasonable assurance that assets are safeguarded and transactions are executed in accordance with management's authorization. We found no instances of noncompliance with policies and procedures for cash receipts, cash disbursements, Direct Support Services, client processing, CIMS/ASSIST/LASR, Children's Protective Services, payroll and timekeeping, or procurement card usage. However, we noted a few instances of noncompliance with policies and procedures in other areas, which are detailed in the findings and recommendations that follow below.

LOCAL OFFICE RESPONSE

The management of Chippewa/Luce County DHS has reviewed all findings and recommendations included in this report. They responded by e-mail on February 2, 2007 that they are in general with the report, and have implemented corrective action for findings # 1 and 3.

FINDINGS AND RECOMMENDATIONS

Safe and Controlled Documents

Field Receipt Inventory

1. Chippewa/Luce County DHS did not control field receipts as required by Accounting Manual Item 403. The Accounting Manual requires that the local office complete a Controlled Document Log (DHS-4070), perform a monthly physical inventory and complete a Monthly Controlled Document Inventory and Reconciliation (DHS-4351) for each controlled document. Maintaining inventory records and performing monthly reconciliations helps to ensure that the local office can account for all field receipts.

WE RECOMMEND that Chippewa/Luce County DHS control field receipts in accordance with the Accounting Manual.

State Emergency Relief

Missing Documentation

2. Chippewa/Luce County DHS did not have complete information for one of seven case files reviewed for State Emergency Relief payments. These case files did not have an LOA budget as required by Section 208 of the SER Manual. The LOA budget is necessary to document client eligibility.

WE RECOMMEND that Chippewa/Luce County DHS ensure that a current LOA budget is in the case file for all State Emergency Relief payments.

Foster Care

Missing Documentation

3. Chippewa/Luce County DHS did not have complete information for three of the five case files we reviewed for Foster Care. Two cases did not have a Criminal History Request (DHS-269), two cases did not have a copy of a Social Security card or documentation that one had been applied for, and one case did not have a Youth Clothing Checklist (DHS-3377). These forms are required by the Foster Care Manual.

WE RECOMMEND that Chippewa/Luce County DHS obtain appropriate case file documentation for all Foster Care cases.

Child Day Care

Missing Documentation

4. Chippewa/Luce County DHS did not have complete information for three of the ten case files we reviewed for Child Day Care. One case did not document employment verification and two did not have verification of the provider's Social Security Number. This documentation is required by Sections 702-704 of the Program Eligibility Manual to help ensure that clients are eligible for day care services and to help ensure that payments to providers are appropriate.

WE RECOMMEND that Chippewa/Luce County DHS obtain verification of employment and provider's Social Security Number for all Child Day Care cases.